



Department of Justice

FOR IMMEDIATE RELEASE
TUESDAY, FEBRUARY 20, 2007
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AT
(202) 514-2007
TDD (202) 514-1888

JUSTICE DEPARTMENT REQUIRES MITTAL STEEL TO DIVEST SPARROWS POINT STEEL MILL

Divestiture Will Preserve Competition in the Tin Mill Products Industry

WASHINGTON — The Department of Justice today announced that it will require Mittal Steel Company N.V. to divest its Sparrows Point facility located near Baltimore, Md., to remedy the competitive harm arising from Mittal's recent \$33 billion acquisition of Arcelor S.A. The Department said the acquisition, as originally proposed, would have substantially lessened competition in the market for tin mill products in the eastern United States.

On Aug. 1, 2006, the Department's Antitrust Division filed a civil lawsuit in U.S. District Court in Washington, D.C., to block Mittal's proposed acquisition of Arcelor. At the same time, the Department filed a proposed consent decree that, if approved by the court, would resolve the lawsuit and the Department's competitive concerns.

To remedy the Department's competitive concerns, the proposed consent decree required Mittal to divest a steel mill that supplied tin mill products to the eastern United States. Mittal's first obligation was to attempt to divest Dofasco Inc., a Canadian company owned by Arcelor. However, the proposed consent decree anticipated the possibility that Mittal might be unable to sell Dofasco because Arcelor had, in an attempt to defeat Mittal's hostile takeover bid, placed legal title to Dofasco into a Dutch foundation, the "Strategic Steel Stichting" (S3). Therefore, in the event the sale of Dofasco could not be carried out as required, the proposed consent decree gave the Department the right to select for divestiture either Mittal Steel's Sparrows Point mill or its Weirton mill, located in Weirton, W.Va.

The Department has determined after a thorough review that, among these two alternate facilities, the divestiture of Sparrows Point will most reliably remedy the anticompetitive effects of the acquisition. The Department said that Sparrows Point is a profitable and diversified facility that has the capacity to produce more than 500,000 tons of tin mill products annually. Sparrows Point currently operates as an integrated facility that produces the steel slabs used in the manufacture of tin mill products and, unlike the Weirton mill, would not have to develop new sources of supply for this critical input upon its separation from Mittal Steel.

"With the divestiture of Sparrows Point, competition in the market for tin mill products in the eastern United States will be preserved," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division.

Background

Tin mill products are finely rolled steel sheets normally coated with tin or chrome. Tin mill products are used primarily in the manufacture of sanitary food cans and general line cans used for aerosols, paints and other products.

Prior to Mittal's acquisition of Arcelor, two large firms – Mittal and one other integrated steel producer – accounted for more than 74 percent of all tin mill product sales in the eastern United States. Prior to the merger, Arcelor, together with its subsidiary Dofasco, which operates a large integrated mill in Ontario, provided a significant competitive constraint on these two firms. By removing those constraints on anticompetitive pricing, the acquisition likely would have resulted in price increases of tin mill products to can manufacturers and other customers in the eastern United States.

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